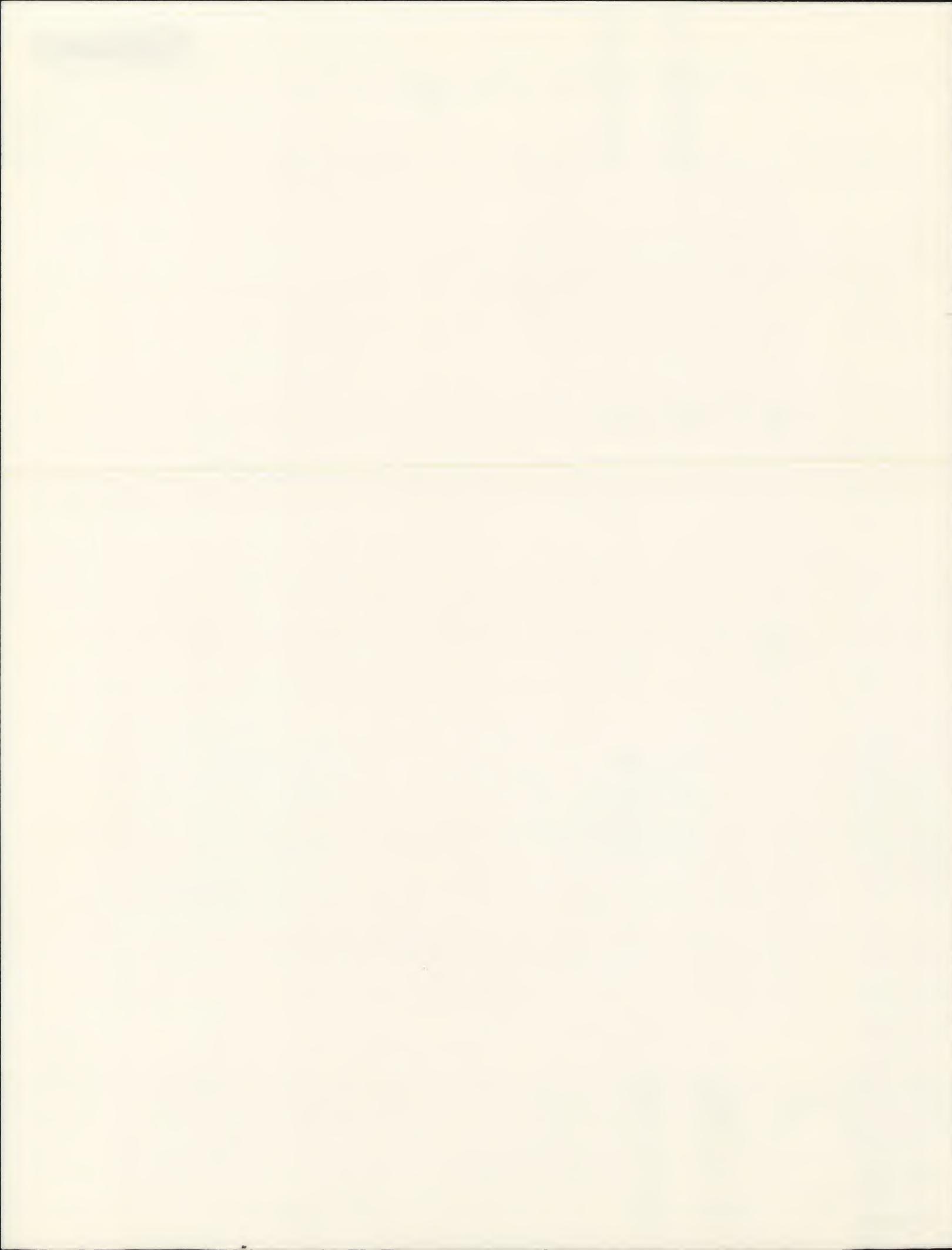


CLEVELAND PUBLIC LIBRARY
BUSINESS INF. DIV.
CORPORATION FILE



BANCOHIO Corporation

1965 ANNUAL REPORT



To the Shareholders:

February 1, 1966

This is the first annual report made by BancOhio Corporation since becoming subject to the Securities Exchange Act of 1934, and the regulations of the Securities and Exchange Commission require that it contain information as to the background and general nature of the operations of the Corporation and the affiliated banks and the extent of their business which is presented herewith.

DESCRIPTION OF THE BUSINESS

BancOhio Corporation is a bank holding company and was formed in 1929. Its founders believed that substantial economies and greater operating efficiency would accrue to a group of banks by development of a central organization capable of providing the banks with technical advice and services at reasonable cost, thereby eliminating costly duplication, conserving manpower and enabling the management of the banks to concentrate on the immediate problems involved in serving the financial needs of their communities. This,

they thought, would benefit the banks, their shareholders and their service areas. They considered that this could best be done by the shareholders of the banks exchanging their shares for those of a common parent corporation, which would be the service organization. In this way, the banks would retain their separate identities, while their shareholders would broaden the base of their holdings and perhaps attain greater marketability.

The concept of the founders of the Corporation was sound. Today the Corporation owns substantially all of the capital stock of 17 national banks and 6 state banks located in 21 Ohio counties, principally in the central Ohio area. The affiliated banks, their total assets, deposits, and capital funds are shown in a schedule on page 12.

The primary objective of the Corporation is to maintain, through its counsel and assistance, adequate and sound banking operations by the affiliated banks for the areas they serve. The Corporation keeps itself informed on the operations of the banks, and furnishes them specialized services which include administration of investment accounts, insurance programs and employee benefit

plans, preparation of tax returns, examinations and audits; and advice and assistance in respect to operating systems and procedures, personnel, development of new financing techniques, banking structures and equipment.

Presently, the 21 county area served by the affiliated banks has a balanced and diversified economy, and has experienced excellent economic growth in recent years. The most recent population estimate for these counties is 1,740,000 compared to 1,620,000 in 1960, and the present estimate represents 16.8% of the total population of Ohio. From the most recent figures available, we estimate that the 21 county area accounts for 17% of retail sales in the state, 11% of wholesale sales, and over 12% of manufacturing payrolls. In this 21 county area are over 23% of the people in the state who are engaged in agriculture, and cash farm income is nearly 24% of the state total.

Columbus, location of the Corporation's largest affiliate, The Ohio National Bank, is the focal point of the area served and is the state capital. Twenty-one other affiliated banks are located in cities which are the seats of county government. Thus governmental activities and public payrolls are a very important part of the economy. In addition, service industries, financial institutions, educational establishments, research facilities, and mineral production contribute substantially to the economy.

In this favorable and diversified economic environment, the 78 offices of the 23 affiliated banks offer a complete range of commercial banking services for individuals, commerce, industry, and government. Five of the affiliated banks also offer trust services, both individual and corporate.

The following table indicates the growth of the affiliated banks in recent years, and includes the growth through the acquisitions in 1965 as later described.

Dec. 31	Loans (a)	Assets (b)	Deposits (b)	Capital Funds
1965	\$519,521,491	\$1,009,906,525	\$897,161,574	\$75,612,343
1964	430,452,480	898,010,970	804,286,207	69,462,073
1963	397,902,442	849,814,075	761,169,540	64,696,446
1962	357,720,117	838,628,258	751,702,215	59,194,683
1961	325,943,978	799,453,899	721,685,668	53,427,333

(a) Before deduction of reserves for possible future loan losses.

(b) After elimination of interbank deposits. Reserves for possible future loan losses and other valuation reserves have been deducted from total assets.

The following table shows the growth of the capital stock and surplus accounts of the Corporation in the past five years.

Dec. 31	Capital Stock (a)	Surplus (a)	Capital and Surplus
1965	\$26,438,140	\$50,770,517	\$77,208,657
1964	25,991,340	44,577,536	70,568,876
1963	24,515,820	40,550,275	65,066,095
1962	23,348,400	36,663,825	60,012,225
1961	22,026,800	32,970,181	54,996,981

(a) The Corporation paid 6% stock dividends in 1962 and 1964 and 5% stock dividends in 1961 and 1963, and in each of those years there was transferred from surplus to capital stock an amount equal to the aggregate par value of the dividend shares. These amounts were as follows: 1964—\$1,471,200; 1963—\$1,167,420; 1962—\$1,321,600; 1961—\$1,048,880.

The Farmers Bank, Sunbury, Ohio, was merged into The First National Bank, Delaware, Ohio, in April 1965, and the Corporation acquired The First National Bank, Jackson, Ohio, in December 1965. The acquisitions resulted in the addition of \$6,842,671 to total loans, \$21,666,183 to total assets, \$19,491,532 to total deposits, and \$1,837,815 to total capital funds. The issuance of 22,340 shares of the Corporation in exchange for shares of the two banks acquired in 1965 resulted in the addition of \$446,800 to the capital stock account and \$1,266,374 to the surplus account.

CHANGES IN REPORTING

During the past year the capital stock of the Corporation was registered with the Securities and Exchange Commission pursuant to the requirements of the Securities Acts Amendments of 1964. As a result the Corporation has adopted a new definition of consolidated net operating earnings in order that its results of operations may be more readily compared with those of similar organizations. The change consists of deleting from operating earnings the after tax effect of all gains or losses on sales of securities, transfers to reserves for possible future loan losses and other transactions of a nonoperating nature.

In the past it was the Corporation's practice to reduce current operating revenues by the current year's provision for possible future loan losses. This was based on the theory that each year a certain portion of the loans negotiated by the banks may ultimately be found to be uncollectible and that any such losses were a part of the cost of conducting banking operations; however, since such portion of the addition to loan reserves cannot be determined by an objective arithmetic computation at the end of any given year, management took the conservative position of charging the entire loan provision against operating income. In 1965, the provision for loan losses has been excluded from current operations, the prevalent treatment in the banking industry.

The consistent accounting practice of the banks in prior years has been to exclude bond profits or losses on sales of U. S. Treasury securities in the computation of net operating income to the extent bond valuation reserves were available to which losses could be charged. Transactions in U. S. Treasury securities were considered to be part of an overall asset portfolio adjustment program and thus were treated in a different manner from other bond sales. As stated previously, all gains or losses

on security sales have been excluded in the current year.

The foregoing discussion of changes in the Corporation's method of reporting earnings may best be illustrated by reference to the consolidated statement of income and surplus for year 1965 of BancOhio Corporation and affiliated banks which appears on page 9 of this report and which also shows amounts for 1964 which have been restated on a basis comparable to the current year. Consolidated net income of \$7,885,029 for the year 1964 was reported as consolidated net operating income in the Corporation's annual report for that year.

STOCK SPLIT

On January 14, 1966 the shareholders approved a split of the Corporation's shares on a three for one basis and changed the authorized number of shares to 4,800,000 of the par value of \$6.66 $\frac{2}{3}$ each. Slightly in excess of 90% of the number of shares eligible to vote were represented at the special meeting of shareholders and over 99% of the shares represented were voted for the proposal. Per share amounts in this report have been adjusted to reflect the 3,965,721 shares outstanding after giving effect to the three for one split.

RESULTS OF OPERATIONS

The Corporation completed a year of growth and consolidation in 1965. Of special significance was the attainment of consolidated resources totaling \$1,012,383,446 up from \$899,903,913 at December 31, 1964, and new record highs for loans, deposits and capital funds. The consolidated statement of income and surplus and other data throughout this report include results of operations of The Farmers Bank only from the date of acquisition, April 30, 1965; the earnings of The First National

Bank of Jackson, acquired in December, have been excluded entirely. Consolidated net operating earnings increased from \$8,397,005 to \$8,405,287; however, per share earnings remain unchanged at \$2.15, based on the average number of shares outstanding during the period of 3,908,940 in 1965 and 3,898,227 in 1964, as adjusted to reflect the three for one split.

Consolidated operating income totaled \$41,155,098 in 1965 compared to \$37,609,767 in 1964, an increase of \$3,545,331 or 9.4%. All major categories of income reached new highs; however, operating expenses were \$28,721,453, up \$4,838,075, the majority of which was accounted for by an increase in interest on time deposits of \$3,800,059, a result of increase in rates and additional deposits. Excluding interest on time deposits, operating expenses were reduced to 43.8% of operating income, compared to 45.1% in 1964, notwithstanding the non-recurring expense of establishing an electronic data processing system for The Ohio National Bank during the year.

Provision for income taxes on operating income decreased \$1,294,090 to \$3,918,510, reflecting the reduction from 50% to 48% in the tax rate and additional investment in tax-exempt securities, which was implemented in part by the securities portfolio adjustment program previously cited in this report.

CAPITAL FUNDS

Capital and surplus increased from \$70,568,876 to \$77,208,657 during the year and book value per share increased from \$18.10 to \$19.47. The increase of \$1.37 was composed of net operating income of \$2.15 less non-operating deductions and other adjustments of 9¢ and dividends paid of 69¢. Book value per share increased \$1.41 in 1964 (operating earnings of \$2.15 less dividends

paid of 63¢ and other items totalling 11¢). It is important to note that reserves for possible future loan losses increased 36¢ per share in 1965 against 16¢ in 1964; thus total funds available including loan reserves increased \$1.73 in the current year compared to \$1.57 in 1964.

All known loan losses were charged off prior to the year end. Consequently, loan reserves which totaled \$10,237,275 at December 31, 1965 represent earning assets at work for the stockholders and may be considered to be a supplement to the capital funds of the banks although they are available without tax liability only for the absorption of loan losses. Capital and surplus plus loan reserves totaled \$22.05 per share at the end of the current year.

During the year 22,340 additional shares of Banc-Ohio capital stock were issued in conjunction with the acquisition of banks as follows:

3,710 shares in exchange for all of the capital stock of The Farmers Bank pursuant to an agreement providing for the merger of that bank into The First National Bank of Delaware;

18,630 shares in exchange for a 93.15% interest in the capital stock of The First National Bank of Jackson.

DIVIDENDS

The Board of Directors increased the cash dividend from 50¢ to 57¢, equal to 19¢ per share on the split shares, in the last quarter of the year. This represents a 14% increase over the previous dividend rate and thereby increased total dividends paid during the year to 69¢ per share compared with 63¢ for 1964, on the present share basis.

LOANS

Following the national trend, the prospering economy of the central Ohio area produced record loan totals for the affiliated banks at the end of the year. Loans to business and industry and for personal enterprise amounted to \$194,604,708 compared to \$145,680,850 at the end of 1964; notes secured by mortgages on real estate were \$150,042,761 as against \$130,329,782 the previous year; installment loans, net of repayments, totaled \$112,562,525 an increase of \$13,629,368. As a result of the gain in loan activities, net additions to reserves for possible future loan losses were \$1,406,865, up substantially from the net increase of \$641,345 in 1964.

BOND PORTFOLIO

At December 31, 1965, the consolidated bond portfolio of the Corporation and the banks was \$329,542,489, an increase of \$30,223,929 from the corresponding date in 1964. Principal changes in the portfolio were a decrease in holdings of U. S. Treasury securities of \$9,230,798, and an increase in holdings of state and municipal securities of \$37,422,374.

Bond income for the year was \$11,509,338, an increase over the previous year of \$248,737. However, the shift from taxable to tax-exempt income resulted in an increase in after tax net income of an estimated \$470,000 without giving effect to the reduction in applicable tax rates. During the year, securities transactions of the banks involving liquidation of U. S. Treasury securities resulted in a net loss of \$466,738 after tax adjustment. This amount was charged to bond valuation reserves and is not reflected in consolidated net operating income.

Concurrently with the transfer of investment funds

from taxable to nontaxable securities, the banks' holdings of short term money market securities, both taxable and nontaxable, were increased from \$45,708,000 at December 31, 1964 to \$91,650,000 at December 31, 1965. This increase made it possible to take advantage of the increasing rates available on this type of security as the year progressed.

DEPOSITS

The affiliated banks had total deposits, excluding interbank deposits, of \$897,161,574 at December 31, 1965 which was an increase of \$92,875,367 over the comparable date in 1964, or an increase of 11.5%. The average for 1965 of month-end deposits for the banks was \$839,961,000 which was \$60,964,000 greater than for the previous year, or a gain of 7.8%. The deposit gain was concentrated in time deposits, and in this respect followed the general pattern for the nation's banks. While the affiliated banks are fully competitive by sound banking standards, the emphasis given to deposit accumulation has been directed toward attaining deposit stability rather than business secured on a temporary basis by the means of premiums, gimmicks or blandishments—or of inducements involving the lowering of credit standards.

CAPITAL EXPENDITURES

Substantial improvements or expansion in physical facilities were effected in 1965 with the total amount expended exceeding \$1,800,000. Five new banking offices were opened as follows—the establishment by The Ohio National Bank of the Beechwold Office serving the northern part of Columbus and the Lincoln Village Office on the western edge of the city, the Cleveland Avenue Office and Gahanna Office of The Ohio State Bank and an office

at Buckeye Lake for The First National Bank of Newark. The First National Bank of Springfield replaced the existing leased quarters of its South Office with a new bank building, initiated a modernization program at the Main Office and acquired additional parking facilities for the Main-Belmont Office. In the opinion of the management of your Corporation and the directors of the affiliated banks, these appropriations were essential for the continuance of provision for the expanding financial services required in growing communities and the maintenance of the affiliated banks' competitive stature in these areas. In addition, facilities to house the computer operation of The Ohio National Bank were constructed and land was purchased or optioned to provide parking areas and also for future bank expansion by several of the affiliated banks.

PERSONNEL

There were 2,062 regular full-time employees on December 31st, an increase of 48 for the year. The First National Bank, Jackson, Ohio, and The Farmers Bank, Sunbury, Ohio, two banks which joined the BancOhio group during the year, accounted for 34 of the 48 additions to personnel. To bring this increase into proper perspective, it should be noted that five additional banking offices were opened and staffed in 1965.

During the year, one new president of an affiliated

bank was elected and 54 promotions to positions of greater responsibility were made; the banks had 247 officers at the year-end.

The average age of officers in the senior management group of the banks is 53 years and their average length of service is 29 years; in the middle management group, the average age is 42 years and the average length of service is 16 years; at the junior management level the averages are 38 years and 14 years.

With very few exceptions, these officers have spent their entire banking careers with the affiliated banks—their loyalty, industry and competence made possible the growth of your banks as recorded in preceding sections of this report.

Unlike officer's activities, perhaps not equally evident to the public, is the effective service and counsel provided by the 254 bank directors who lend balance and perspective to the professionalism of the staff and to whom we make grateful acknowledgement.

Banking activities of the first weeks in 1966 evidence a strong continuance of the business tempo of last year. For the BancOhio banks we anticipate increased revenues, increased expense, continued growth, and a commensurate profitability of operations.

Derrol R. Johnson
President

BANCOHIO Corporation



23 Banks — 78 Offices
Serving the Heart of Ohio

OFFICERS

DERROL R. JOHNSON
President
FRED E. HEPPEL
Vice President
EDWARD BEVERLY
Vice President
OWEN HARRISON
Vice President
JOHN W. WOLFE
Vice President
JAMES P. REARDON
Vice President
MARION A. CORWIN
Vice President
JAMES W. McNAMEE
Vice President
GREENVILLE T. PACE
Vice President and Secretary
EDWARD A. HANF
Treasurer
JOHN L. BURGOON
Cashier and Assistant Secretary
ROBERT F. WEBER
Chief Examiner
JACK E. ALSPAUGH
Assistant Treasurer

BOARD OF DIRECTORS

HARRY V. ANDERSON
President, Wolfe Wear-U-Well Corporation
EDWARD BEVERLY
Vice President of the Corporation
RICHARD A. BOREL
President, RadiOhio, Inc. and WBNS TV Inc.
GEORGE A. DOERSAM
Retired; former Vice President of the Corporation
FRED E. HEPPEL
Vice President of the Corporation
DERROL R. JOHNSON
President of the Corporation
LELAND A. STONER
President and Chairman of the Board,
The Ohio National Bank of Columbus
EDGAR T. WOLFE, JR.
Vice President, The Dispatch Printing Company
JOHN W. WOLFE
Vice President of the Corporation
PRESTON WOLFE
President, The Dispatch Printing Company
ROBERT H. WOLFE
Publisher and Chairman of the Board,
The Dispatch Printing Company

EXECUTIVE OFFICES

51 North High Street
Columbus, Ohio 43216

TRANSFER AGENT

The Ohio National Bank of Columbus
51 North High Street
Columbus, Ohio 43216

AFFILIATED BANKS

THE OHIO NATIONAL BANK of Columbus
Leland A. Stoner, President
THE OHIO STATE BANK, Columbus
Frank W. Kelley, President
THE FIRST NATIONAL BANK of Cadiz
J. G. Mitchell, President
THE FIRST NATIONAL BANK of Chillicothe
Lloyd L. Davis, President
THE SECOND NATIONAL BANK of Circleville
D. D. Dowden, President
FIRST NATIONAL BANK of Coshocton
Charles H. Edmund, President
THE FIRST NATIONAL BANK of Delaware
A. F. Myers, President
THE FIRST NATIONAL BANK of Jackson
Daniel E. Washam, President
THE KENTON SAVINGS BANK, Kenton
R. B. Merriman, President
THE HOCKING VALLEY NATIONAL BANK of Lancaster
C. M. Wilkins, President
THE FARMERS AND MERCHANTS BANK of Logan
R. B. Perkins, President
THE FIRST NATIONAL BANK of London
C. N. McAllister, President
THE FIRST NATIONAL BANK of Marysville
D. L. Graham, President
THE KNOX COUNTY SAVINGS BANK, Mt. Vernon
J. A. Herron, President
THE FIRST NATIONAL BANK of Newark
Philip B. Young, President
THE PERRY COUNTY BANK, New Lexington
John S. Stanton, President
THE NATIONAL BANK of Portsmouth
R. Vernon Miller, President
THE FIRST NATIONAL BANK of Springfield
Robert Ireland, President
FIRST NATIONAL BANK of Tiffin
M. B. Lynn, President
THE FIRST NATIONAL BANK of Washington Court House
J. Roush Burton, President
THE FIRST NATIONAL BANK of Wilmington
R. H. Olinger, President
THE WORTHINGTON SAVINGS BANK, Worthington
Arnold M. Wright, President
THE CITIZENS NATIONAL BANK in Zanesville
Charles B. Moody, President

BANCOHIO CORPORATION and Affiliated Banks

CONSOLIDATED BALANCE SHEET

	December 31,	
	1965	1964
ASSETS		
Cash and due from banks	\$ 160,458,790	\$167,398,720
Securities, at amortized cost		
U. S. Treasury securities, less \$2,106,082		
reserve (1964 - \$2,555,062)	134,460,566	143,691,364
State and municipal bonds	166,042,404	128,620,030
Other bonds and securities	29,039,519	27,007,166
Stock in Federal Reserve Bank	1,829,100	1,659,000
Loans, less \$10,237,275 reserves		
(1964 - \$8,750,903)	509,284,216	421,701,577
Banking premises and equipment, less depreciation	10,733,388	9,258,918
Other assets	535,463	567,138
	<u>\$1,012,383,446</u>	<u>\$899,903,913</u>
LIABILITIES		
Demand deposits	\$ 503,073,770	\$503,380,980
Time deposits	393,861,544	300,677,053
Total deposits	896,935,314	804,058,033
Federal Reserve Bank deferred credits	8,268,540	7,106,010
Unearned income	14,745,723	12,865,232
Other liabilities	14,149,207	4,319,247
Minority interest in affiliated banks	1,076,005	986,515
Capital and Surplus:		
Capital stock - \$20 par value (note):		
Authorized - 1,600,000 shares		
Issued and outstanding - 1,321,907 shares		
(1964 - 1,299,567)	26,438,140	25,991,340
Surplus	50,770,517	44,577,536
Total capital and surplus	77,208,657	70,568,876
	<u>\$1,012,383,446</u>	<u>\$899,903,913</u>

Note—On January 14, 1966 the shareholders approved a 3 for 1 stock split and an increase in the authorized shares to 4,800,000 shares of par value of \$6.66 $\frac{2}{3}$ each. Shares issued and outstanding after giving effect to the 3 for 1 stock split total 3,965,721.

BANCOHIO CORPORATION and Affiliated Banks

CONSOLIDATED STATEMENT OF INCOME AND SURPLUS

	Year ended December 31,	
	1965	1964
Operating income:		
Interest on loans	\$25,096,381	\$22,111,953
Interest and dividends on securities	11,509,338	11,260,601
Service charges on deposit accounts	2,538,721	2,414,498
Other operating income	<u>2,010,658</u>	<u>1,822,715</u>
	41,155,098	37,609,767
Operating expenses:		
Interest on deposits	10,704,963	6,904,904
Salaries and retirement benefits	10,717,194	10,321,670
Depreciation	759,500	708,810
Taxes, other than income taxes	1,598,942	1,526,857
Other operating expenses	<u>4,940,854</u>	<u>4,421,137</u>
	28,721,453	23,883,378
Operating income less operating expenses	12,433,645	13,726,389
Provision for income taxes on operating income	<u>3,918,510</u>	<u>5,212,600</u>
Net operating income	8,515,135	8,513,789
Minority interest in net operating income	109,848	116,784
Consolidated net operating income	<u>8,405,287</u>	<u>8,397,005</u>
Additions or (deductions) after related taxes:		
Net gain on security sales - losses of \$466,738 in 1965 and \$428,191 in 1964 on sales of U. S. Treasury securities were charged to reserve for market depreciation	2,847	3,755
Transfers to reserves for possible future loan losses	(861,574)	(508,814)
Other items	<u>37,197</u>	<u>(6,917)</u>
Consolidated net income	<u>7,583,757</u>	<u>7,885,029</u>
Dividends declared:		
Stock dividend - 73,560 shares at \$119.34 a share, approximate market value at date of declaration	8,778,650	
Less-excess of market value over par value	7,307,450	
Amount transferred to capital stock account	<u>1,471,200</u>	
Cash dividends - \$2.07 a share in 1965 and \$2.00 in 1964	<u>2,695,928</u>	<u>2,451,690</u>
	2,695,928	3,922,890
Adjustments for changes in minority interests in subsidiary banks	38,778	65,122
Excess of Corporation's share of equity in net assets of acquired banks over par value of 22,340 shares of BancOhio capital stock issued therefor	1,266,374	
Consolidated surplus at beginning of year	<u>44,577,536</u>	<u>40,550,275</u>
Consolidated surplus at end of year	<u>\$50,770,517</u>	<u>\$44,577,536</u>

BANCOHIO CORPORATION (Parent company only)

BALANCE SHEET

	December 31,	
	1965	1964
ASSETS		
Deposit in subsidiary bank	\$ 226,261	\$ 240,310
U. S. Government and federal agency securities, at amortized cost (approximate market)	1,995,572	1,335,341
Receivable from wholly-owned real estate subsidiary	175,000	175,000
Loans to directors of subsidiary banks	296,203	334,457
Investments in shares of subsidiary banks (acquired for BancOhio capital stock and cash) stated on basis of equity in net assets of the banks at December 31, 1965 as shown by accounts submitted by responsible officials of the respective subsidiaries and in published statements	74,536,338	68,475,559
Other assets	10,145	36,009
	<u>\$77,239,519</u>	<u>\$70,596,676</u>
LIABILITIES		
Accrued liabilities	\$ 30,862	\$ 27,800
Capital stock - \$20 par value (note):		
Authorized - 1,600,000 shares		
Issued and outstanding - 1,321,907 shares (1964 - 1,299,567 shares)	26,438,140	25,991,340
Surplus:		
Capital surplus	35,372,899	34,106,525
Surplus from increase in equity in net assets of subsidiary banks - since December 31, 1934 (less stock dividends totaling \$42,465,489)	10,653,400	6,344,695
Earned surplus - since December 31, 1934	4,744,218	4,126,316
Total surplus	<u>50,770,517</u>	<u>44,577,536</u>
	<u>\$77,239,519</u>	<u>\$70,596,676</u>

Note—On January 14, 1966 the shareholders approved a 3 for 1 stock split and an increase in the authorized shares to 4,800,000 shares of par value of \$6.66 $\frac{2}{3}$ each. Shares issued and outstanding after giving effect to the 3 for 1 stock split total 3,965,721.

PRICE WATERHOUSE & CO.

To the Board of Directors of
BancOhio Corporation

We have examined the balance sheet of BancOhio Corporation (parent company only) as of December 31, 1965 and the related statement of income and surplus for the year. We have not examined the financial statements of the subsidiary banks, the investments in which are stated in the balance sheet of BancOhio Corporation on the basis of its equity in the banks' net assets as shown by their financial statements. In all other respects, our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Inasmuch as the financial statements of the subsidiary banks were not examined by us, we are not in a position to express an opinion on the December 31, 1965 financial statements of BancOhio Corporation (parent company) taken as a whole. However, except for the amount carried for the investments in the subsidiary banks and the surplus account resulting from the basis used for expressing the amount of the investments, it is our opinion that the accompanying balance sheet and statement of income and surplus of the parent company—BancOhio Corporation—present fairly its financial position at December 31, 1965 and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

100 East Broad Street
Columbus, Ohio
January 14, 1966

Price Waterhouse & Co.

BANCOHIO CORPORATION (Parent company only)

STATEMENT OF INCOME AND SURPLUS

	Year ended December 31,	
	1965	1964
Income:		
Dividends from subsidiary banks	\$ 3,326,697	\$ 3,173,060
Interest	118,113	90,298
	<hr/> 3,444,810	<hr/> 3,263,358
Expenses:		
Salaries, sundry taxes and other operating expenses	787,965	722,291
Less - service charges to subsidiary banks	662,585	626,575
	<hr/> 125,380	<hr/> 95,716
Income before federal income taxes	3,319,430	3,167,642
Federal income taxes	5,600	4,200
Net income for the year	3,313,830	3,163,442
Cash dividends paid - \$2.07 a share in 1965 and \$2.00 in 1964	2,695,928	2,451,690
	617,902	711,752
Earned surplus at beginning of year	4,126,316	3,414,564
Earned surplus at end of year	<u>\$ 4,744,218</u>	<u>\$ 4,126,316</u>
Surplus from increase since December 31, 1934 in equity in net assets of subsidiary banks (less stock dividends totaling \$42,465,489):		
Balance at beginning of year	\$ 6,344,695	\$10,342,129
Increase in equity in net assets during the year	4,269,927	4,721,587
Stock dividend declared - 73,560 shares at \$119.34 a share, approximate market value at date of declaration	(8,778,650)	
Other adjustments	38,778	59,629
Balance at end of year	<u>\$10,653,400</u>	<u>\$ 6,344,695</u>
Capital surplus:		
Balance at beginning of year	\$34,106,525	\$26,793,582
Excess of market value over par value of BancOhio capital stock issued as stock dividends		7,307,450
Excess of Corporation's share of equity in net assets of acquired banks over par value of 22,340 shares of BancOhio capital stock issued therefor	1,266,374	
Other adjustments		5,493
Balance at end of year	<u>\$35,372,899</u>	<u>\$34,106,525</u>

THE BANCOHIO BANKS

ASSETS, DEPOSITS AND CAPITAL FUNDS — COMBINED AT DECEMBER 31, 1965

	Assets (note)	Deposits (note)	Capital Funds	Number of Banking Offices
NATIONAL BANKS:				
THE OHIO NATIONAL BANK of Columbus	\$ 594,461,832	\$527,443,049	\$45,429,627	25
THE FIRST NATIONAL BANK of Cadiz	10,060,806	9,000,202	691,737	1
THE FIRST NATIONAL BANK of Chillicothe	25,158,681	22,660,670	1,780,889	3
THE SECOND NATIONAL BANK of Circleville	7,471,691	6,538,460	578,484	1
FIRST NATIONAL BANK of Coshocton	25,567,307	23,242,724	1,729,782	2
THE FIRST NATIONAL BANK of Delaware	22,482,084	20,519,724	1,547,125	3
THE FIRST NATIONAL BANK of Jackson	18,675,570	16,821,710	1,560,248	1
THE HOCKING VALLEY NATIONAL . . BANK of Lancaster	13,500,113	11,657,690	1,092,289	1
THE FIRST NATIONAL BANK of London	10,787,644	9,548,355	840,202	1
THE FIRST NATIONAL BANK of Marysville	12,623,459	11,153,789	930,282	1
THE FIRST NATIONAL BANK of Newark	31,779,437	27,790,540	2,361,710	4
THE NATIONAL BANK of Portsmouth	18,885,380	16,616,456	1,178,809	3
THE FIRST NATIONAL BANK of Springfield	57,571,252	50,460,845	3,713,328	4
FIRST NATIONAL BANK of Tiffin	13,680,221	12,259,376	945,121	2
THE FIRST NATIONAL BANK of Washington Court House	13,140,718	11,803,785	940,691	2
THE FIRST NATIONAL BANK of Wilmington	9,653,156	8,503,888	704,183	2
THE CITIZENS NATIONAL BANK . . . in Zanesville	27,708,394	24,650,224	2,044,042	3
STATE BANKS:				
THE OHIO STATE BANK Columbus	35,401,624	32,273,349	2,746,456	10
THE KENTON SAVINGS BANK Kenton	8,926,392	8,233,312	540,360	3
THE FARMERS AND MERCHANTS . . . BANK of Logan	14,114,794	12,370,741	1,149,956	1
THE KNOX COUNTY SAVINGS BANK . . Mt. Vernon	12,762,116	10,983,043	1,206,439	1
THE PERRY COUNTY BANK New Lexington	4,779,580	4,280,792	347,403	1
THE WORTHINGTON SAVINGS BANK . . Worthington	26,879,137	24,513,712	1,553,180	3
	<u>\$1,016,071,388</u>	<u>\$903,326,436</u>	<u>\$75,612,343</u>	<u>78</u>

NOTE—Includes interbank deposits of approximately \$6,165,000. Reserves for possible future loan losses and other valuation reserves have been deducted from total assets.



